

GREATER LAPEER TRANSPORTATION AUTHORITY

Lapeer, Michigan

44-7506

Annual Financial Statements

and

Auditors' Report

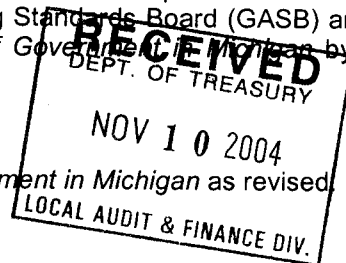
September 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Greater Lapeer Transportation Authority	County Lapeer
Audit Date 9/30/04	Opinion Date 10/21/04	Date Accountant Report Submitted to State: 11/9/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. CPAs and Business Consultants			
Street Address 3023 Davenport	City Saginaw	State MI	ZIP 48602
Accountant Signature <i>Robert J. Genter</i>			

GREATER LAPEER TRANSPORTATION AUTHORITY

Lapeer, Michigan

Annual Financial Statements

and

Auditors' Report

September 30, 2004

BOARD OF DIRECTORS

OFFICERS

JOHN KOSIARA	CHAIRPERSON
ALICE BAHLS	VICE CHAIRPERSON
LARRY VAN HORN	SECRETARY
MARY PANOS	TREASURER AND EXECUTIVE DIRECTOR
BEVERLY DUPUIS	RECORDING SECRETARY

TRUSTEES

HARRY LUZI	TOM PASSINGHAM
BARBARA SEALEY	DAN VAN NORMAN
JOHN FREEMAN	

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Saginaw, MI 48602
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Independent Auditors' Report

Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan 48446

We have audited the statement of net assets of the Greater Lapeer Transportation Authority as of and for the year ended September 30, 2004, and the related statements of revenue, expenses and changes in net assets, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Greater Lapeer Transportation Authority as of September 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of October 1, 2003.

In accordance with *Government Auditing Standards*, we also issued a report dated October 21, 2004, on our consideration of Greater Lapeer Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Mileage Data is unaudited and we express no opinion on it.

The Greater Lapeer Transportation Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 21, 2004

Greater Lapeer Transportation Authority

Statement of Net Assets

September 30, 2004

Assets	
Current assets	
Cash	\$ 243,950
Accounts receivable	86,172
Due from state and federal government	46,829
Prepaid expenses	<u>9,011</u>
Total current assets	<u>385,962</u>
Capital assets	
Property and equipment	3,309,154
Accumulated depreciation	<u>(775,976)</u>
Net capital assets	<u>2,533,178</u>
Total assets	<u>2,919,140</u>
Liabilities	
Current liabilities	
Accounts payable	22,494
Due to state	79,914
Accrued payroll	25,875
Accrued payroll liabilities	11,500
Compensated absences	32,649
Deferred revenue	100
Arbitration settlement	<u>10,000</u>
Total liabilities	182,532
Net assets	
Investment in capital assets	2,533,178
Unrestricted	<u>203,430</u>
Total net assets	<u>\$ 2,736,608</u>

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended September 30, 2004

Operating revenues	
Demand response	\$ 581,532
Operating expenses	<u>1,772,493</u>
Operating loss	<u>(1,190,961)</u>
Nonoperating revenues - local	<u>77,017</u>
Nonoperating revenues - state and federal	
Operating grant revenue	848,431
Capital grant revenue	<u>208,771</u>
Total nonoperating revenue - state and federal	<u>1,057,202</u>
Decrease in net assets	(56,742)
Net assets - beginning of year	<u>2,793,350</u>
Net assets - end of year	<u><u>\$ 2,736,608</u></u>

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2004

Cash flows from operating activities	
Operating revenue	\$ 569,752
Payment to suppliers	(657,857)
Payment to employees	(929,504)
Net cash used by operating activities	<u>(1,017,609)</u>
Cash flows from noncapital financing activities	
Local nonoperating revenue	74,861
State nonoperating revenue	679,968
Federal nonoperating revenue	168,463
Net cash flows provided by noncapital financing activities	<u>923,292</u>
Cash flows from capital and related financing activities	
State and federal government grants	213,521
Proceeds on sale of capital assets	3,336
Acquisition of capital assets	(221,223)
Net cash flows used by capital and related financing activities	<u>(4,366)</u>
Cash flows from investing activities	
Interest earned	2,156
Net decrease in cash	(96,527)
Cash - beginning of year	340,477
Cash - end of year	<u>\$ 243,950</u>
Operating (loss)	\$ (1,190,961)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	235,128
(Gain) loss on disposal of asset	26,519
Decrease (increase) in	
Accounts receivable	(26,076)
Prepaid expenses	(5,525)
Due from state and federal government	(14,903)
Increase (decrease) in	
Accounts payable	(78,242)
Due to state	29,199
Accrued payroll	7,358
Accrued payroll liabilities	3,357
Compensated absences	6,537
Arbitration settlement	(10,000)
Net cash used by operating activities	<u>\$ (1,017,609)</u>

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority

Notes to Financial Statements

September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Greater Lapeer Transportation Authority is a public body organized as a legal entity pursuant to Public Act 196 of 1986. The Authority has the capability and the authority to provide public transportation to the general public in the City of Lapeer and surrounding areas. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. By this definition, no component units are included in the Greater Lapeer Transportation Authority's financial report.

BASIS OF ACCOUNTING

The Authority follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

CASH

At September 30, 2004 cash consisted of demand deposits and money market savings accounts.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES

Compensated sick leave is granted to each full-time employee at the rate of one-half day per pay period. Unused sick leave may be accumulated not to exceed 120 days. Upon separation of employment, employees shall not be paid for unused sick leave.

Each full-time employee shall accrue one week of vacation after completing one year of employment. After two years of employment, employees shall accrue two weeks. Vacation time must be used within one year after it is earned. Upon separation of employment, employees shall receive payment for all unused vacation leave.

Vacation or sick leave utilized during the current year is recorded as a current fringe benefit expenditure. At year-end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an adjusting entry posted to the liability and expenditures accounts.

CAPITAL ASSETS

Capital assets are stated at cost. Depreciable capital assets are depreciated over the estimated useful life of the asset using the straight-line method. The useful life of the assets range from 4 - 40 years.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 20

In accordance with GASB Statement 20, the Authority has elected not to apply the FASB statements and interpretations issued after November 30, 1989 to its financial statements.

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2004

ACCOUNTING CHANGE

Effective October 1, 2003, the Corporation implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Changes to the financial statements as a result of GASB No. 34 are as follows:

The statement of cash flows was prepared using the direct cash flow method instead of the indirect cash flow method.

NOTE 2 - CASH

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

DEPOSITS - Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers acceptance of U.S. Banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The carrying amount of the Authority's deposits with financial institutions was \$243,750 (excluding petty cash of \$ 200) and the bank balance was \$247,017, of which \$111,417 was fully insured by the FDIC.

NOTE 3 - CAPITAL ASSETS

Major classes of capital assets consist of the following:

	Purchased with Authority Funds	Purchased with Capital Grants	Total
Assets not being depreciated			
Land	\$ 46,805	\$ -	\$ 46,805
Other capital assets			
Buildings	280,813	1,695,644	1,976,457
Vehicles	62,712	1,011,402	1,074,114
Office equipment	21,645	46,476	68,121
Maintenance equipment	4,099	104,251	108,350
Communication equipment	-	35,307	35,307
	<u>416,074</u>	<u>2,893,080</u>	<u>3,309,154</u>
Less: accumulated depreciation	<u>(93,601)</u>	<u>(682,375)</u>	<u>(775,976)</u>
Net capital assets	<u>\$ 322,473</u>	<u>\$ 2,210,705</u>	<u>\$ 2,533,178</u>

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2004

Additions and disposals for the year ended September 30, 2004 are as follows:

	Balance as of September 30, 2003	Additions	Disposals	Balance as of September 30, 2004
Assets not being depreciated				
Land	\$ 46,805	\$ -	\$ -	\$ 46,805
Other capital assets				
Buildings	1,982,933	-	6,476	1,976,457
Vehicles	1,033,892	185,546	145,324	1,074,114
Office equipment	108,224	10,820	50,923	68,121
Maintenance equipment	83,567	24,783	-	108,350
Communication equipment	65,368	-	30,061	35,307
	3,320,789	221,149	232,784	3,309,154
Less: accumulated depreciation	(743,851)	(235,128)	(203,003)	(775,976)
Net capital assets	<u>\$ 2,576,938</u>	<u>\$ (13,979)</u>	<u>\$ 29,781</u>	<u>\$ 2,533,178</u>

Depreciation expense for the year ended September 30, 2004 was \$235,128. When assets purchased with capital grant funds are withdrawn from mass transportation service, the grantee must remit to the grantor the grantor's pro-rata share of the fair market value as of the date the asset was withdrawn.

NOTE 4 - ARBITRATION SETTLEMENT

During the year ended September 30, 2002 the Authority completed construction of a new transportation facility. In connection with this, the Authority disputed some of the additional billing for work performed. This was settled by an arbitration agreement. The remaining payment is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2005	<u>\$ 10,000</u>

NOTE 5 - PENSION

On October 1, 1995, the Authority established a defined contribution plan covering all full-time personnel. Any employee who works 25 hours or more per week is eligible. Vesting is 100% after second year of service. Employer contributions are based upon 5% of each employee's wages. Employees are required to contribute a minimum of 2% to the plan. The total pension expense for the year ended September 30, 2004 was \$26,542.

NOTE 6 - RISK MANAGEMENT

Greater Lapeer Transportation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). Greater Lapeer Transportation Authority has purchased commercial insurance for workers' compensation claims.

Greater Lapeer Transportation Authority

Notes to Financial Statements

September 30, 2004

Greater Lapeer Transportation Authority participates in the Michigan Municipal League risk pool for claims relating to property, general liability and vehicle coverage.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Payments made during the year ended September 30, 2004 totaled \$63,215.

NOTE 7 - DEFERRED COMPENSATION

Greater Lapeer Transportation Authority offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Greater Lapeer Transportation Authority for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in Greater Lapeer Transportation Authority's financial statements.

NOTE 8 - PURCHASE COMMITMENT

During the current year the Authority entered into a purchase commitment for six new buses with Holland Motor Homes & Bus totaling \$531,110. The buses will be financed through capital grants.

Greater Lapeer Transportation Authority
Schedule of Operating Expenses
For the Year Ended September 30, 2004

	<u>Operation</u>	<u>Maintenance</u>	<u>Administration</u>	<u>Total System</u>
Labor				
Operating salaries and wages	\$ 413,673	\$ 44,464	\$ 34,855	\$ 492,992
Other salaries and wages	71,555	-	89,137	160,692
Fringe benefits	261,698	4,878	26,496	293,072
Other services	1,243	5,809	22,434	29,486
Materials and supplies				
Fuel and lubricants	67,749	-	-	67,749
Tires and tubes	-	10,998	-	10,998
Other materials and supplies	2,549	20,154	15,563	38,266
Utilities	-	-	29,374	29,374
Casualty and liability costs				
Premiums for public liability and property damage insurance	29,199	-	-	29,199
Other casualty and liability	-	-	23,764	23,764
Miscellaneous				
Advertising	-	-	15,562	15,562
Travel	2,422	-	3,129	5,551
Dues and publications	-	-	3,228	3,228
Interest	308	-	-	308
Other	-	1,288	2,797	4,085
Purchased transportation	306,520	-	-	306,520
Total	1,156,916	87,591	266,339	1,510,846
Depreciation	221,454	-	13,674	235,128
Loss on disposal of assets	-	-	26,519	26,519
Total operating expenses	<u>\$ 1,378,370</u>	<u>\$ 87,591</u>	<u>\$ 306,532</u>	<u>\$ 1,772,493</u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - Local
For the Year Ended September 30, 2004

Local nonoperating revenue	
City of Lapeer	\$ 32,783
Township of Lapeer	4,855
Township of Elba	4,956
Township of Mayfield	14,547
Township of Oregon	4,400
Township of Deerfield	<u>3,458</u>
	64,999
Interest income	2,156
Other income	<u>9,862</u>
Total nonoperating revenues - local	<u><u>\$ 77,017</u></u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - State and Federal
For the Year Ended September 30, 2004

State of Michigan operating grants

Local Bus Operating Assistance (Act 51) 03-04	\$ 630,752
Local Bus Operating Assistance (Act 51) 02-03	(6,767)
Local Bus Operating Assistance (Act 51) 98-99	31,969
Project zero	<u>24,014</u>

Total State of Michigan operating grants	<u>679,968</u>
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State of Michigan capital grants

U.S. F.T.A. Capital Assistance	<u>40,390</u>
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Federal operating grants

Rural Transit Assistance Program	3,500
U.S. F.T.A. Operating Grant - Section 5311	<u>164,963</u>

Total Federal operating grants	<u>168,463</u>
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Federal capital grants

U.S. F.T.A. Capital Assistance	<u>168,381</u>
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Total nonoperating revenues - state and federal	<u><u>\$ 1,057,202</u></u>
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Greater Lapeer Transportation Authority
Net Eligible Costs Computation of
General Operations
For the Year Ended September 30, 2004

	Federal Section 5311	State Operating Assistance
Expenses		
Labor	\$ 653,684	\$ 653,684
Fringe benefits	293,072	293,072
Other services	29,486	29,486
Materials and supplies	117,013	117,013
Utilities	29,374	29,374
Casualty and liability costs	52,963	52,963
Purchased transportation	306,520	306,520
Depreciation	235,128	235,128
Advertising	15,562	15,562
Interest	308	308
Loss on disposal of assets	26,519	26,519
Miscellaneous	12,864	12,864
Total expenses	<u>1,772,493</u>	<u>1,772,493</u>
Less ineligible expenses		
Depreciation	221,454	221,454
MPTA dues (7.4%)	128	128
Expenses reimbursed by RTAP	3,500	3,500
Expenses reimbursed by Project Zero	24,014	24,014
Expenses reimbursed by maintenance revenue	3,500	3,500
Loss on disposal of assets	26,519	26,519
	<u>279,115</u>	<u>279,115</u>
Net eligible expenses - federal and state	<u>\$ 1,493,378</u>	<u>\$ 1,493,378</u>
Federal revenue calculation		
Reimbursable percentage	<u>10.95%</u>	
Statutory cap	<u>\$ 163,525</u>	
Total federal revenue	<u>\$ 163,525</u>	
State revenue calculation		
Reimbursable percentage		60%
Statutory cap		<u>\$ 896,027</u>
Formula reimbursement percentage		42.24%
Formula reimbursement		<u>\$ 630,752</u>
State operating assistance revenue received		<u>\$ 653,184</u>

Greater Lapeer Transportation Authority
Schedule of Ineligible Costs
For the Year Ended September 30, 2004

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>State Operating Assistance</u>	<u>Federal \$ 5311</u>
01-0034			
	1. Depreciation: Depreciation accrued on contributed capital or reimbursed capital expenditures must be deducted as ineligible expense.	\$ 221,454	\$ 221,454
	2. MPTA dues (7.4% of \$ 1,730 - ineligible costs)	128	128
	3. Expenses reimbursed by RTAP	3,500	3,500
	4. Expenses reimbursed by Project Zero	24,014	24,014
	5. Expenses reimbursed by maintenance revenue	3,500	3,500
	6. Loss on disposal of assets	26,519	26,519
		<u>\$ 279,115</u>	<u>\$ 279,115</u>

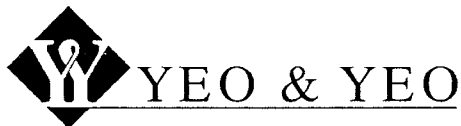
Greater Lapeer Transportation Authority
Schedule of Federal and State Awards
Year Ended September 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditures</u>
Federal Transit Administration				
Passed through Michigan Department of Transportation				
Operating Assistance - Section 5311	20.509	02-0041/Z8	\$ 169,178	\$ 1,438
		02-0041/Z13	174,357	163,525
Capital Assistance - Section 5311		02-0041/Z3	104,000	6,820
Capital Assistance - Section 5311		02-0041/Z9	16,000	16,000
Capital Assistance - Section 5309	20.500	02-0041/Z10	447,864	145,561
				<u>333,344</u>
Rural Transit Assistance Program	20.509	RTAP	3,500	<u>3,500</u>
Total federal awards				<u>336,844</u>
Michigan Department of Transportation				
Project Zero				
Operating Assistance		02-0041/Z6	41,252	604
Operating Assistance		02-0041/Z12	41,501	<u>23,410</u>
				<u>24,014</u>
Capital Assistance - Section 5311		02-0041/Z9	4,000	4,000
Capital Assistance - Section 5309		02-0041/Z10	111,966	36,390
Operating Assistance (98-99) - Act 51			507,726	31,969
Operating Assistance (02-03) - Act 51			676,711	(6,767)
Operating Assistance (03-04) - Act 51			653,184	<u>630,752</u>
Total state capital and operating assistance awards				<u>696,344</u>
Total state awards				<u>720,358</u>
Total federal and state awards				<u>\$ 1,057,202</u>

Greater Lapeer Transportation Authority
Mileage Data (Unaudited)
For the Year Ended September 30, 2004

	<u>Public Transportation Mileage</u>
DEMAND RESPONSE	
First quarter	150,115
Second quarter	153,236
Third quarter	140,549
Fourth quarter	<u>150,664</u>
	<u><u>594,564</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.



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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Governmental Auditing Standards***

To the Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

We have audited the financial statements of Greater Lapeer Transportation Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated October 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greater Lapeer Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

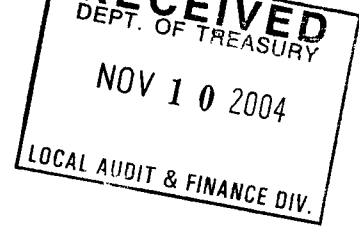
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Lapeer Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 21, 2004



October 21, 2004

The Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

In planning and performing our audit of the basic financial statements of the Greater Lapeer Transportation Authority for the year ended September 30, 2004, we considered the Corporation's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

The management of the Greater Lapeer Transportation Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but no absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitation in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be a material weakness as described above.

However, during our engagement we became aware of a number of items that offer an opportunity to strengthen internal controls and operating efficiency. We would like to share these matters with you and offer our recommendations.

BACKUP PROCEDURES

During the audit, it was noted that the system has not been backed up since August, due to errors in QuickBooks when attempting to create a backup. It is our recommendation that the issue be resolved with QuickBooks as soon as possible and computer files be backed up at least weekly, be properly labeled, and be stored off premises to ensure safe storage of computer information.

It was noted that subsequent to fieldwork, the Greater Lapeer Transportation Authority did resolve the issue and they were able to back the system up and restore it.

EXPENSE REIMBURSEMENTS

During our review of expenditures for the current year audit we noted an instance where a meal expense reimbursement was not supported by proper documentation. The only documentation available was the credit card slip listing the total of the expenditure. Each expenditure should be for business purposes only and should be supported by documentation of the expenditure. It is our recommendation that itemized receipts be turned in for all expenditure reimbursements.

CASH RECEIPTS

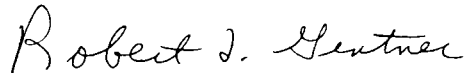
Our review of the Company's procedures indicated that there is a lack of control in the receiving, depositing, and recording of cash receipts. To provide effective control, it would be necessary to separate each of these duties, whereas at the present time the administrative assistant's duties include all of these functions to some degree. It is our recommendation to set up some form of control on cash receipts. One employee can open the mail and make a listing of remittances received and a second employee makes the deposit and a third employee performs the bank reconciliation, reconciling the listing to the bank statement.

This report is intended solely for the use of management and should not be used for any other purpose.

We appreciate the opportunity to serve the Greater Lapeer Transportation Authority and would like to thank Mary Panos, Beverly Dupuis, and Carol Wegher for their assistance during our engagement. Should you have any questions, please feel free to contact our office.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants

A handwritten signature in cursive script that reads "Robert L. Gentner".

Robert L. Gentner